

Message Text

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PAGE 01 OECD P 13949 01 OF 02 301917Z

63

ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 NSC-05 AID-05 CEA-01 CIAE-00

COME-00 EB-07 EA-10 FRB-01 INR-07 IO-10 NEA-10

NSAE-00 OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01

OMB-01 L-03 STR-04 PA-02 PRS-01 USIA-15 XMB-04 AGR-10

FEA-01 /140 W

----- 125127

R 301900Z MAY 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 7315

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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AMEMBASSY HELSINKI

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

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PAGE 02 OECD P 13949 01 OF 02 301917Z

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UNCLAS SECTION 01 OF 02 OECD PARIS 13949

E.O. 11652: N/A

TAGS: ECON, OECD

SUBJECT: MINISTERIAL: U.K. STATEMENT OF RENEWAL OF
TRADE PLEDGE

REF: USOECD 13832

SUMMARY. TEXT OF STATEMENT BY PETER SHORE, U.K.
SECRETARY OF STATE FOR TRADE, ON U.K. POSITION ON
RENEWAL OF TRADE PLEDGE, IS GIVEN BELOW. WE NOTE THAT
PRIOR TO SHORE'S STATEMENT, WHICH WAS RELEASED TO
PRESS, PAYMASTER GENERAL EDMUNDDELL MADE INTERVENTION
ALONG SIMILAR LINES WHICH WAS EVEN MORE SPECIFIC THAN
SHORE'S STATEMENT. IN CITING RESPONSIBILITY OF
STRONGER COUNTRIES TO LEAD WAY OUT OF RECESSION
(SEE PARAS 4 - 7 BELOW) DELL NOTED THAT U.S. AND GERMANY
HAVE ALREADY TAKEN SOME MEASURES TO REFLATE THEIR
ECONOMIES, BUT JAPAN HAD DONE VERY LITTLE SO FAR.
HE SINGLED OUT JAPAN AS SOURCE OF CONCERN BECAUSE OF
INCREASING SLACK IN ITS ECONOMY AND LACK OF SUBSTANTIVE
REFLATIONARY MEASURES. JAPANESE MINISTER DID NOT REPLY
TO BRITISH CHARGE. END SUMMARY

BEGIN TEXT

TRADE PLEDGE: UK POSITION

TEXT OF STATEMENT BY MR PETER SHORE, U.K. SECRETARY OF
STATE FOR TRADE

1. I WOULD LIKE TO BEGIN BY RECALLING THAT, AT THE
DISCUSSION WHICH WE HAD ROUND THE TABLE WHEN WE ADOPTED
THE TRADE DECLARATION A YEAR AGO, A NUMBER OF POINTS
WERE MADE WHICH WERE SET OUT IN THE COMMUNIQUE
RECORDING THE RESULTS OF OUR DISCUSSION.

2. FOUR OF THESE POINTS I WANT TO REFER TO TODAY,
BECAUSE THEY SEEM TO ME TO SET THE CONTEXT IN WHICH
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PAGE 03 OECD P 13949 01 OF 02 301917Z

WE NEED TO APPROACH THE QUESTION, NOW BEFORE US, OF
RENEWING THE DECLARATION FOR A FURTHER YEAR.

3. FIRST WE RECOGNISED THAT THE THEN RATES OF INFLATION
WERE A THREAT TO ECONOMIC AND SOCIAL PROGRESS AND THAT
WE MUST, THEREFORE, ACCORD HIGH PRIORITY TO REDUCING
THE RATE OF PRICE INFLATION. SECONDLY, WE AGREED
THAT POLICIES TO COUNTER INFLATION MUST BE CAREFULLY

CHOSEN TO AVOID SERIOUS UNEMPLOYMENT PROBLEMS. THIRDLY WE AGREED TO MAINTAIN ECONOMIC ACTIVITY AT SATISFACTORY LEVELS AND AVOID POLICIES WHICH WOULD TRANSFER EMPLOYMENT PROBLEMS FROM ONE COUNTRY TO ANOTHER. AND FOURTHLY WE RECOGNISED THAT THE OECD COUNTRIES HAD, BECAUSE OF THE OIL PRICE RISE, TO ACCEPT A DETERIORATION IN THEIR BALANCE OF PAYMENTS SITUATION.

4. IN THE YEAR THAT HAS NOW PAST, HOW FAR HAVE OUR POLICIES MET THE REQUIREMENTS IMPLIED IN THE RECOGNITION OF THOSE FOUR POINTS? I THINK WE HAVE TO SAY THAT FEW, IF ANY OF US, HAVE BEEN SUCCESSFUL. AS REGARDS THE FIRST POINT, THE RESTRAINING OF INFLATION, I READILY CONCEDE THAT WE IN THE UNITED KINGDOM HAVE SO FAR LACKED SUCCESS. BUT WHEN WE TURN TO THE OTHER POINTS, I FEEL THAT THERE HAS BEEN AN EQUAL IF NOT GREATER LACK OF SUCCESS ON THE PART OF OTHER COUNTRIES ROUND THIS TABLE. HAVE THEY AVOIDED A SERIOUS INCREASE IN THE RATE OF UNEMPLOYMENT? HAVE THEY MAINTAINED

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PAGE 01 OECD P 13949 02 OF 02 301922Z

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R 301900Z MAY 75

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TO SECSTATE WASH DC 7316

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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PAGE 02 OECD P 13949 02 OF 02 301922Z

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UNCLAS SECTION 02 OF 02 OECD PARIS 13949

ECONOMIC ACTIVITY AT LEVELS WHICH AVOID TRANSFERRING UNEMPLOYMENT PROBLEMS TO OTHERS? HAVE THEY ACCEPTED A SUBSTANTIAL DETERIORATION IN THEIR BALANCE OF PAYMENTS? WELL, HAVE THEY?

5. I KNOW, WE ALL KNOW - AND I AM THINKING HERE PRIMARILY OF THE COUNTRIES WITH THE STRONGEST AND MOST POWERFUL ECONOMIES, THE COUNTRIES WHICH SHOULD BE LEADING THE WORLD OUT OF RECESSION - THAT THE ANSWER IS NO. WE HAVE SEEN HIGH, UNNECESSARILY HIGH, RATES OF UNEMPLOYMENT. WE HAVE SEEN ONE MAJOR COUNTRY WITH AN ENORMOUS BALANCE OF PAYMENTS SURPLUS.

6. I RECOGNISE THAT SOME OF THE STRONGEST PLACED COUNTRIES HAVE TAKEN SUBSTANTIAL MEASURES TO REVERSE AT LEAST THE DISCOURAGING UNEMPLOYMENT PICTURE, EVEN IF THE EFFECTS ARE YET TO BE SEEN. THEY HAVE NOT ALL GONE AS FAR AS WE WOULD HAVE LIKED.

7. WE ARE PARTICULARLY DISTURBED AT THE FAILURE OF ONE MAJOR COUNTRY TO TAKE WHAT WE WOULD REGARD AS

REASONABLY REFLATIONARY ACTION. GIVEN THE VERY SUBSTANTIAL DEGREE OF UNUSED CAPACITY AND THE STRIKING SUCCESS IN MODERATING THE RATE OF WAGE INCREASE, WE BELIEVE THAT THERE IS MORE THEY COULD AND SHOULD DO.

8. HOWEVER, DESPITE OUR ANXIETIES ON THESE POINTS, WE ARE STILL CONVINCED THAT THE CASE FOR THE DECLARATION IS AS STRONG AS IT EVER WAS, IF NOT STRONGER. FOR MANY OF US, THE DEFICITS, AND THE DEBTS INVOLVED IN FINANCING THEM, ARE STILL PILING UP; AND WE ALL FACE SOCIALLY AND POLITICALLY DIFFICULT PROBLEMS OF UNEMPLOYMENT. IT WILL HELP NONE OF US IF WE TRY TO SOLVE THESE GENERAL PROBLEMS BY EXPORTING THEM TO OTHERS.

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PAGE 03 OECD P 13949 02 OF 02 301922Z

9. MY GOVERNMENT THEREFORE AGREES THAT THE DECLARATION SHOULD BE RENEWED FOR A FURTHER YEAR. BUT IN SAYING THAT, THERE ARE TWO QUALIFICATIONS I MUST MAKE. THE FIRST IS THAT THE FINANCE TO COVER THE DEFICITS MUST BE AVAILABLE. AND HERE WE CONTINUE TO ATTACH IMPORTANCE TO THE AGREEMENT RECORDED IN THE DECLARATION TO COOPERATE FULLY TO FACILITATE SUCH FINANCING.

10. MY SECOND QUALIFICATION GOES BACK TO THE POINTS WHICH I MADE AT THE BEGINNING OF MY STATEMENT. THE RENEWAL OF THE DECLARATION MUST BE, AS ITS ORIGINAL ADOPTION SHOULD HAVE BEEN, A TWO SIDED OPERATION. THE COUNTRIES IN A WEAKER POSITION MUST SEEK TO AVOID UNILATERAL PROTECTIVE ACTION. YES, BUT THE OBVERSE, INDEED THE NECESSARY CONDITION, OF THIS IS THAT THE COUNTRIES IN A STRONGER POSITION MUST PLAY THEIR PART BY FOLLOWING SUFFICIENTLY EXPANSIONARY DOMESTIC ECONOMIC POLICIES WHICH WILL SUSTAIN INTERNATIONAL DEMAND, INCREASE IMPORTS, AND THUS AT LEAST ALLEVIATE THE PROBLEM OF THE DEFICIT COUNTRIES. AND I HAVE TO SAY THAT WE ARE ABLE TO RENEW THIS DECLARATION ONLY ON THE UNDERSTANDING THAT THE TWO SIDED NATURE OF THIS OPERATION IS GENERALLY ACCEPTED AND THE STRONGER COUNTRIES RECOGNISE THE OBLIGATION ON THEIR SIDE TO EXPAND THEIR ECONOMIES SUFFICIENTLY TO AVOID MAKING THE PROBLEM FOR THE DEFICIT COUNTRIES INTOLERABLE.

END TEXT

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